

**FREESTYLE METROPOLITAN DISTRICT NO. 2  
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2024**

**FREESTYLE METROPOLITAN DISTRICT NO. 2  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2024**

<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>I</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>1</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>2</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>3</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN         FUND BALANCES – GOVERNMENTAL FUNDS</b>	<b>4</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES,         EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE         GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>5</b>
<b>GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND         CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>6</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>7</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES,     EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND     ACTUAL</b>	<b>21</b>
<b>OTHER INFORMATION</b>	
<b>SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY     TAXES COLLECTED</b>	<b>23</b>



**BiggsKofford**

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

---

Board of Directors and Management  
**Freestyle Metropolitan District No. 2**  
El Paso County, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Freestyle Metropolitan District No. 2 ("District") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2024, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### *Other Information*

Management is responsible for the other information, as identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
September 11, 2025

## **BASIC FINANCIAL STATEMENTS**

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2024**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments - Restricted	\$ 267,777
Receivable from County Treasurer	1
Property Tax Receivable	103
Total Assets	267,881
<b>LIABILITIES</b>	
Accounts Payable	35,500
Due to Freestyle MD No. 1	1
Noncurrent Liabilities:	
Due in More Than One Year	1,002,333
Total Liabilities	1,037,834
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Tax	103
Total Deferred Inflows of Resources	103
<b>NET POSITION</b>	
Restricted for:	
Capital	232,277
Unrestricted	(1,002,333)
Total Net Position	\$ (770,056)

See accompanying Notes to Basic Financial Statements.

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2024**

	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>				
Primary Government:				
Governmental Activities:				
General Government	\$ 2	\$ -	\$ -	\$ (2)
Intergovernmental Expense - Freestyle MD No. 1	413,840	-	-	(413,840)
Interest on Long-Term Debt and Related Costs	356,333	-	-	(356,333)
	<u>\$ 770,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(770,175)</u>
 <b>GENERAL REVENUES</b>				
				108
				10
				1
				<u>119</u>
				 (770,056)
<b>CHANGES IN NET POSITION</b>				
Net Position - Beginning of Year				-
 <b>NET POSITION - END OF YEAR</b>				<u>\$ (770,056)</u>

See accompanying Notes to Basic Financial Statements.

**FREESTYLE METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2024**

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments - Restricted	\$ -	\$ 267,777	\$ 267,777
Receivable from County Treasurer	1	-	1
Property Tax Receivable	103	-	103
	<u>104</u>	<u>-</u>	<u>103</u>
Total Assets	<u>\$ 104</u>	<u>\$ 267,777</u>	<u>\$ 267,881</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 35,500	\$ 35,500
Due to Freestyle MD No. 1	1	-	1
Total Liabilities	<u>1</u>	<u>35,500</u>	<u>35,501</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Tax	103	-	103
Total Deferred Inflows of Resources	<u>103</u>	<u>-</u>	<u>103</u>
<b>FUND BALANCES</b>			
Restricted for:			
Capital Projects	-	232,277	232,277
Total Fund Balances	<u>-</u>	<u>232,277</u>	<u>232,277</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 104</u>	<u>\$ 267,777</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	(1,000,000)
Accrued Bond Interest	(2,333)

Net Position of Governmental Activities	<u>\$ (770,056)</u>
---	---------------------

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2024**

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 108	\$ -	\$ 108
Specific Ownership Taxes	10	-	10
Other Revenue	1	-	1
Total Revenues	<u>119</u>	<u>-</u>	<u>119</u>
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fee	2	-	2
Intergovernmental Expenditures - Freestyle MD No. 1	117	413,723	413,840
Bond Issue Costs	-	354,000	354,000
Total Expenditures	<u>119</u>	<u>767,723</u>	<u>767,842</u>
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>	-	(767,723)	(767,723)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Issuance Proceeds	-	1,000,000	1,000,000
Total Other Financing Sources	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	232,277	232,277
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 232,277</u>	<u>\$ 232,277</u>

See accompanying Notes to Basic Financial Statements.

**FREESTYLE METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2024**

Net Change in Fund Balances - Total Governmental Funds	\$ 232,277
--	------------

Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Bond Principal	(1,000,000)
----------------	-------------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest Payable - Change in Liability	<u>(2,333)</u>
--	----------------

Changes in Net Position of Governmental Activities	<u>\$ (770,056)</u>
--	---------------------

**FREESTYLE METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2024**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 108	\$ 108	\$ -
Specific Ownership Taxes	11	10	(1)
Other Revenue	81	1	(80)
Total Revenues	200	119	(81)
<b>EXPENDITURES</b>			
County Treasurer's Fee	2	2	-
Intergovernmental Expenditures - Freestyle MD No. 1	117	117	-
Contingency	81	-	81
Total Expenditures	200	119	81
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
Fund Balance - Beginning of Year	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Freestyle Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for the City of Colorado Springs (the City), El Paso County, Colorado on November 30, 2021, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The consolidated service plan, dated July 27, 2021, formed Freestyle Metropolitan District Nos. 1 – 4 (the Districts). The Districts currently operate under an Amended and Restated Service Plan dated November 8, 2022.

The District was organized to provide the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of public improvements allowed under Colorado law for the Districts. The District shall dedicate the public improvements to the City or other appropriate jurisdiction or owners association in a manner consistent with the Approved Development Plans. The District was organized in conjunction with Freestyle Metropolitan District No. 1 (District No. 1), Freestyle Metropolitan District No. 3 (District No. 3), and Freestyle Metropolitan District No. 4 (District No. 4) to serve the needs of the Freestyle development for the purpose of financing, construction and operation of improvements and infrastructure serving the four districts. District No. 1 is responsible for managing the construction, operation and maintenance of all improvements not transferred to the City of Colorado Springs. District No. 2, District No. 3, and District No. 4 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations. The District's service area is located entirely within the City of Colorado Springs, El Paso County, Colorado.

The District follows Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District has no employees, and all operational and administrative functions are contracted.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

The statement of net position reports all financial and capital resources of the District. The difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2024.

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity**

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

*Restricted Fund Balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2024 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments - Restricted	\$ 267,777
Total Cash and Investments	<u>\$ 267,777</u>

Cash and investments as of December 31, 2024 consist of the following:

Investments	\$ 267,777
Total Cash and Investments	<u>\$ 267,777</u>

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2024, the District's cash deposits had a bank balance of \$0 and a carrying balance of \$0.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- \* Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

As of December 31, 2024, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
MSILF Money Market Treasury	Weighted-Average Under 60 Days	\$ 267,777
Total		<u>\$ 267,777</u>

**MSILF Money Market Funds Treasury**

The debt service money that is included in the trust accounts at United Missouri Bank (successor of American National Bank) is invested in the Morgan Stanley Institutional Liquidity Funds (MSILF) Treasury Portfolio. This portfolio is a money market fund that is managed by Morgan Stanley and each share is equal in value to \$1.00. The fund is rated AAAM by Standard & Poor's and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The average maturity of the underlying securities is 90 days or less.

**NOTE 4 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2024:

	Balance at December 31, 2023	Additions	Reductions	Balance at December 31, 2024	Due Within One Year
Bonds Payable:					
General Obligation Bonds					
Series 2024A(3)	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
Accrued Interest					
Series 2024A(3)	-	2,333	-	2,333	-
Subtotal Bonds Payable	<u>-</u>	<u>1,002,333</u>	<u>-</u>	<u>1,002,333</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ -</u>	<u>\$ 1,002,333</u>	<u>\$ -</u>	<u>\$ 1,002,333</u>	<u>\$ -</u>

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

The details of the District's long-term obligations are as follows:

**\$35,757,000 Limited Tax General Obligation Bonds, Series 2024A(3)**

The District issued the Bonds on December 19, 2024, in the amounts of \$35,757,000. Proceeds from the sale of the Bonds will be used for the purposes of financing or reimbursing a portion of the costs of acquiring, constructing, and/or installing certain public infrastructure to serve the Development and funding the costs of issuing the Bonds. The Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Rather, principal on the Bonds is payable annually on each December 1, commencing December 1, 2025, from and to the extent of available Pledged Revenue (defined below). The Bonds mature on December 1, 2054.

The Bonds were issued on a "drawdown" basis, so that advances of the purchase price of the Bonds will be made by the Bond Purchaser to the Trustee in multiple installments in accordance with the terms and provisions of the Indentures.

The Bonds bear interest at the rate of 7.00% per annum payable annually on December 1, but only from and to the extent of available Pledged Revenue, beginning on December 1, 2025. To the extent principal of any Bonds is not paid when due, such principal shall remain outstanding until the earlier of its payment or December 1, 2064 (the "Termination Date"). In the event interest on any Bonds is not paid when due, such interest is to compound annually on each December 1, at the rate then borne by the Bonds. All of the Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on the Termination Date, regardless of the amount of principal and interest paid prior to such date.

**Optional Redemption**

The Bonds are subject to redemption at the option of the District, in whole or in part, in integral multiples of \$1,000, on any business day on and after the issuance of the Bonds, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued interest to such date.

**Pledged Revenue**

The Bonds are secured by and payable solely from and to the extent of Pledged Revenue, net of the cost of collection, which is defined generally in the Indentures as:

- (a) the Property Tax Revenues generally defined as ad valorem property taxes derived from the District's imposition of the Required Mill Levy and the imposition of the District No. 4 Required Mill Levy;
- (b) the Development Fee Revenues and District No. 4's Development Fee Revenues;
- (c) the Specific Ownership Tax Revenues and District No. 4's Specific Ownership Tax Revenues; and
- (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$35,757,000 Limited Tax General Obligation Bonds, Series 2024A(3) (Continued)**

District No. 2 Required Mill Levy

“District No. 2 Required Mill Levy” means an ad valorem mill levy imposed by the Issuer upon all taxable property of the Issuer each year at a rate equal to 50.00 mills or such lesser mill levy which, when combined with the District No. 4 Required Mill Levy (defined below), will fund the Senior Bond Fund and the Subordinate Bond Fund in an amount sufficient to pay all of the principal of and interest on the Bonds in full, subject to the limitation defined below.

In no event may the District No. 2 Required Mill Levy be established at a mill levy which would cause the Issuer to derive tax revenue in any year in excess of the maximum tax increases permitted by the Issuer’s electoral authorization, and if the District No. 2 Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the Issuer’s electoral authorization, the District No. 2 Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

Notwithstanding the foregoing, in order to comply with Section 32-1-1101(6),C.R.S., the Districts have determined to pledge a maximum mill levy of 50 mills without adjustment to the payment of the Series 2024A(3) Bonds. In addition, the Maximum Debt Mill Levy certified for any District or Combination of Districts is to be limited to no more than 50 mills.

District No. 4 Required Mill Levy

“District No. 4 Required Mill Levy” means an ad valorem mill levy imposed by District No. 4 upon all taxable property of District No. 4 each year at a rate equal to 50.00 mills or such lesser mill levy which, when combined with the District No. 2 Required Mill Levy, will fund the Senior Bond Fund and the Subordinate Bond Fund in amount sufficient to pay all of the principal of and interest on the Bonds in full, subject to the limitation defined below.

In no event may the District No. 4 Required Mill Levy be established at a mill levy which would cause District No. 4 to derive tax revenue in any year in excess of the maximum tax increases permitted by District No. 4’s electoral authorization, and if the District No. 4 Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by District No. 4’s electoral authorization, the District No. 4 Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

Development Fee Revenues

The Indentures define “Development Fee Revenues” to mean all District No. 2 Development Fee and District No. 4 Development Fee revenues received by the District, District No. 4, or the Trustee on behalf of the District or District No. 4, net of the costs of collection thereof.

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$35,757,000 Limited Tax General Obligation Bonds, Series 2024A(3) (Continued)**

Development Fee Revenues (Continued)

Pursuant to a Resolution of the Board of the District Adopting System Development Fees adopted by the District Board on May 11, 2022 (as previously defined, the "District No. 2 Development Fee Resolution"), the District imposes the "District No. 2 Development Fee;" and pursuant to a Resolution of the Board of District No. 4 Adopting System Development Fees adopted by the District No. 4 Board on May 11, 2022 (as previously defined, the "District No. 4 Development Fee Resolution"), District No. 4 imposes the "District No. 4 Development Fee." The District No. 2 Development Fee and District No. 4 Development Fee are each imposed in an amount equal to \$1,500 for each residential unit.

Events of Default of the Bonds

Events of default occur if the District or District No. 4 fail to impose the Required Mill Levies, or to apply the Pledged Revenues as required by the Indenture, and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Indenture.

Acceleration of the Bonds shall not be an available remedy for an Event of Default.

Other Remedies: following the occurrence of an Event of Default, the Trustee may enforce each and every right granted to the Issuer or the Trustee. In exercising such rights and the rights given the Trustee, the Trustee shall take such action as, in the judgment of the Trustee being advised by counsel would best serve the interests of the Owners.

**Bonds Debt Service**

The outstanding principal and interest due on the Bonds are not currently determinable since the Bonds are paid from cash flows when drawn down.

**Subsequent Bond Draws**

Subsequent to the year ending on December 31, 2024, there have been two bond draws that the District received on March 25, 2025, for \$700,000 and on May 22, 2025, for \$535,000.

**Authorized Debt**

On November 2, 2021, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$5,950,000,000 at an interest rate not to exceed 12% per annum. At December 31, 2024, the District has authorized but unissued indebtedness for the following amounts allocated to the following purposes:

**FREESTYLE METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**Authorized Debt (Continued)**

	Amount Authorized on November 2, 2021	Authorization Used <u>Series 2024A(3)</u> Bonds	Authorized but Unissued as of December 31, 2024
Street Improvements	\$ 350,000,000	\$ -	\$ 350,000,000
Water	350,000,000	-	350,000,000
Sanitation	350,000,000	-	350,000,000
Traffic and Safety	350,000,000	-	350,000,000
Transportation	350,000,000	-	350,000,000
Park and Recreation	350,000,000	-	350,000,000
Mosquito Control	350,000,000	-	350,000,000
Television Relay and Translation	350,000,000	-	350,000,000
Security	350,000,000	-	350,000,000
Business Recruitment	350,000,000	-	350,000,000
Fire Protection	350,000,000	-	350,000,000
Operations and Maintenance	350,000,000	-	350,000,000
Revenue Debt	350,000,000	-	350,000,000
Special Assessments	350,000,000	-	350,000,000
Reimbursement Agreements	350,000,000	1,000,000	349,000,000
Debt Refunding	700,000,000	-	700,000,000
Total	<u>\$ 5,950,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 5,949,000,000</u>

As set forth in the District’s 2022 Amended and Restated Service Plan, debt issued by the Districts is subject to the approval of the City Council concurrent with the time of issuance, unless previously authorized. The District may levy up to 50.000 mills for debt service, up to 20.000 mills for residential general operations and administrative expenses, and up to 10.000 mills for commercial general operations and administrative expenses, subject to the upward or downward adjustments addressing any constitutionally mandated change in assessment ratios, tax credit, cut or abatement occurring after, but not before August 9, 2022. Freestyle Metropolitan District Nos. 1 – 4 are authorized to issue Debt up to \$185,000,000 in total principal amount combined in aggregate.

**NOTE 5 NET POSITION**

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2024 as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Capital Projects Reserve	\$ 232,277
Total Restricted Net Position	<u>\$ 232,277</u>

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 5 NET POSITION (CONTINUED)**

The District has a deficit in unrestricted net position.

This deficit amount is a result of the District being responsible for bonds that were issued to finance public improvements.

**NOTE 6 RELATED PARTIES**

The Developers of the property which constitutes the District are BL Development INC. and BLR Construction, LLC. The members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District.

**NOTE 7 ECONOMIC DEPENDENCY**

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

**NOTE 8 AGREEMENTS AND COMMITMENTS**

**Intergovernmental District Facilities Construction and Service Agreement**

On December 8, 2021, Freestyle Metropolitan District No. 1 (the Operating District) entered in an intergovernmental district facilities construction and service agreement (IGA) with Freestyle Metropolitan District Nos. 2 – 4 (Financing Districts). The purpose of the IGA is to set forth the rights and obligations of the Operating District and the Financing Districts to fund the public improvements and continued operation and maintenance of public improvements, in addition to the rights and obligations of the Operating District to operate and maintain the public improvements on behalf of the Financing Districts. The public improvements to be designed and constructed by the Operating District will benefit all property owners and residents within the Districts. The IGA shall remain in effect until December 8, 2061, unless terminated earlier.

**Facilities Funding and Acquisition Agreement**

On December 8, 2021, the Districts entered into a Facilities Funding and Acquisition Agreement (the Agreement) with the BL Development INC for infrastructure improvements made on behalf of the Districts. The District agrees to repay BL Development INC along with accrued interest at a rate of 8%. The District did not have an outstanding balance under this agreement as of December 31, 2024.

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 8 AGREEMENTS AND COMMITMENTS (CONTINUED)**

**Reimbursement Agreement**

On December 8, 2021, the Districts entered into a Reimbursement Agreement (the Agreement) with the BL Development INC for operational advances made on behalf of the Districts. The District agrees to repay BL Development INC along with accrued interest at a rate of 8%. The District did not have an outstanding balance under this agreement as of December 31, 2024.

**Capital Pledge Agreement**

On December 1, 2024, the District (the Issuer) entered in Capital Pledge Agreement (the Agreement) with Freestyle Metropolitan District No. 4 (the Taxing District). The Issuer issued the Series 2024A(3) Bonds and other Debt Obligations as necessary to finance and construct the Public Improvements in accordance with the Service Plan. In exchange for the purchase by the Owners of the Debt Obligations, the proceeds of which are to be applied to the provision of the Public Improvements in accordance with the Bond Documents, the Taxing District hereby agrees to pay such portion of the Annual Obligations Costs as may be funded with the Taxing District Pledged Revenues available to the Taxing District. The Agreement shall remain in effect until December 1, 2064, unless all of the debt obligations have been paid in full.

**NOTE 9 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments.

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)**

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The Emergency Reserve is held by District No. 1. The District transfers its net operating revenue to District No. 1 pursuant to an Intergovernmental Agreement (Note 8). Therefore, the Emergency Reserves related to the District's revenues are reported in District No. 1.

On November 2, 2021, a majority of the District's electors passed an election question to increase the property taxes \$10,000,000 annually to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, retain, and spend all revenues without regard to any limitations under TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

## **SUPPLEMENTARY INFORMATION**

**FREESTYLE METROPOLITAN DISTRICT NO. 2  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2024**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Intergovernmental Expenditures - Freestyle MD No. 1	\$ -	\$ 518,442	\$ 413,723	\$ 104,719
Bond Issue Costs	-	500,000	354,000	146,000
Total Expenditures	<u>-</u>	<u>1,018,442</u>	<u>767,723</u>	<u>250,719</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(1,018,442)	(767,723)	250,719
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Issuance Proceeds	-	40,000,000	1,000,000	(39,000,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>40,000,000</u>	<u>1,000,000</u>	<u>(39,000,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	38,981,558	232,277	(38,749,281)
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 38,981,558</u>	<u>\$ 232,277</u>	<u>\$ (38,749,281)</u>

## **OTHER INFORMATION**

**FREESTYLE METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED**  
**DECEMBER 31, 2024**

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
			General Operations	Debt Service	Total	Levied	Collected	
2022/2023	\$ 2,000		20.000	-	20.000	\$ 40	\$ 40	100.00 %
2023/2024	5,060	153.0%	21.290	-	21.290	108	108	100.00 %
Estimated for Year Ending December 31, 2025	\$ 5,060	0.0%	20.453	-	20.453	\$ 103		

Note:  
Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the Treasurer does not permit identification of specific year of levy.

Source: El Paso County Assessor and Treasurer.